EMPLOYMENT MANAGEMENT ASSOCIATION

COST PER HIRE SURVEY

1985

Employment Management Association
National Cost Per Hire Survey - 1985

In response to members' requests, this third, annual EMA Cost Per Hire Survey was enhanced to provide more definitive information about source utilization and costs. The most significant addition to this year's survey was the estimated cost-per-hire by salary level.

The EMA encourages employment professionals to collect and compare their organization's cost per hire data year to year. The EMA will continue to provide the forum for the compilation and exchange of this information with your fellow professionals.

Purpose

The prime objective of this EMA survey is to provide its membership and employment professionals nationwide with a national average, exempt employee cost per hire based upon common, comparable, relevant and measurable expense elements to permit comparative analysis of recruiting methods and cost effectiveness.

Potential Use and Application

With the establishment of this standard form of measurement, the employment professional now has a new a versatile tool in his/her kit.

SELF-EVALUATION can now extend beyond the number of people hired and budget expended to a whole array of analyses based on clearly defined, "hard" data.

* Year to year comparisons
* Cost assessment of various sourcing techniques
* Identifying effective/ineffective sourcing strategies
* Budget planning - determining recruiting strategies and employment department staffing levels
* Assessing costs of differing levels of hiring activity
* Evaluating cost advantages for centralized vs. decentralized recruiting programs
* Determining service cross-charges when the employment department operates as a profit center

MANAGEMENT INFORMATION may, for some, prove to be the most useful application of this data. Recruitment, selection, and employment are critical to every business, but too often the question "What is it costing us?" has gone inadequately answered. Employment Managers may now find the data generated in computing cost per hire are just what is needed to justify their actions or recommendations, and influence or educate their company's management.

The Employment Management Association in no way claims the statistical validity of the data contained in this report. The information presented herein represents both actual and estimated costs incurred and reported by the 53 respondents indicated in the demographics which follow. This information should be used with appropriate discretion, recognizing the limitations inherent in this same statistical sample base.

Respondent Information

The employer members of the EMA participating in this year's survey were represented as follows:

Organizational Representation:		
Total Corporation	28	52.8%
Division of Corporation	18	34.0%
Unit/Individual Location	7	13.2%
Principal Recruiting Areas:		
National	23	43.5%
East	12	22.6%
Southeast	1	1.9%
Midwest	9	16.9%
Southwest	2	3.8%
West	6	11.3%
Exempt Population Size:		
Under 500	15	28.3%
500 - 1,000	8	15.1%
1,000 - 2,500	16	30.2%
2,500 - 5,000	5	9.4%
5,000 - 10,000	7	13.2%
Over 10,000	2	3.8%
Nature of Business:		
Banking and Finance	8	15.1%
Merchandising and Services	3	5.7%
Aerospace, Electronics and Instruments	18	34.0%
Building Materials Manufacturers and Construction	3	5.7%
Chemicals, Drugs and Allied Products	4	7.5%
Food and Beverage Processing	2	3.8%
Glass, Paper, Packaging and Allied Products	1	1.9%
Petroleum and Allied Products	1	1.9%
Research and Consulting	3	5.7%
Utilities - Public (Transportation)	7	13.0%
Non-Profit and Educational Institutions	2	3.8%
Health Care Services	1	1.9%

Comparison of Findings

	1985	1984	1983
Average number of hires	238	219	135
Average total costs per employer	$1,659,783	$1,436,114	$1,029,473
Average cost per hire	$6,974	$6,558*	$7,625*

*1983 and 1984 recomputed for consistency using total costs per employer divided by average number of hires.

Trend Indicators

There seems to be a trend emerging which would indicate economy of scale. As the average employer increases the volume of hiring, the cost per hire decreases. It could be assumed that this trend will continue as long as the current level of staffing within the employment office can manage the volume of hiring activity. When the volume requires additional employment staff, the cost per hire should then increase.

Direct Fees

Average Expenditures per Employer for:	1985	1984	1983
Employment Advertising	$195,914	$156,571	$103,156
Agencies	$216,249	$237,013	$177,006
Executive Search	$ 32,644	$132,571	$ 86,717
Employee Referral Cash Awards	$ 16,460	$ 17,286	$ 33,138
College Recruiting	$ 37,508	N/A	N/A

Advertising was the only direct expense area to show an increase in 1985 over the previous year. A dramatic reduction in executive search expenses was reported by survey respondents this year. College recruiting expenses were not specifically collected prior to this year.

Distribution by Starting Salaries

Salary Ranges	Avg. No. Employees	%	Average CPH
Under $25,000/year	56	29.3%	$ 3,020
$25,000 - $40,000/year	109	59.2%	$ 6,381
$40,000 - $60,000/year	18	9.0%	$11,597
$60,000 - $100,000/year	6	2.4%	$19,703
Over $100,000/year	1	.1%	$42,138

This supplemental data section was instituted this year to assist employment professionals in determining job market trends and cost differentials based upon level of compensation.

Since this section is new, not all respondents had data available to report. However, the total number of hires reported was 5,922, distributed as follows:

Under $25,000	1,735
$25,000 - $40,000	3,503
$40,000 - $60,000	532
$60,000 - $100,000	145
$100,000 and up	7
TOTAL	5,922

Survey Elements

Computing Your Cost Per Hire

Line 1 *Salaries and benefits of Employment/Recruiting office staff.*
Estimate the % of time spent annually in recruiting activities by each member of your Employment/Recruiting office staff. Compute the actual salary and benefit costs for each staff member, multiply by the percentage that applies to each, then total. Enter on line 1.

Line 2 *Travel, lodging, entertainment expenses of recruiting staff.*
Compute the total T/L/E expenses of the Employment/Recruiting office staff. Include: All recruiting-related trips and entertainment; T/L/E expenses for professional development seminars, workshops and conferences, source relations and development visits, etc. **Exclude:** Meetings and training programs that do not utilize or enhance the employment skills of your recruiting staff. Enter total on Line 2.

Line 3 *Administrative expenses.*
Compute or estimate all recruiting-related overhead expenses, including but not limited to: telephone, office space, postage, PR literature, recruiting brochures, general/image-building advertising, training program and conference attendance fees, employee referral gift awards; computer access charges. Enter total on Line 3.

Line 4 *Employment/Recruiting office expenses - Sub-total.*
Total Lines 1, 2, and 3 and enter on Line 4.
(NOTE: If sufficient detail is not available to determine items 1 through 3 above, estimate this sub-total and enter on Line 4.)

Line 5 *Travel, lodging, entertainment expenses for line recruiters.*
If other company personnel and/or contract recruiters were utilized, compute or estimate their T/L/E expenses and enter on Line 5. (A representative sample of expense reports may be gathered to compute an average which can be multiplied by the number of trips/events to obtain the total for this line item.) **Exclude** recruiters counted in Line 2.

Line 6 *Salaries of line recruiters.*
Compute or estimate the average day's salary of those line personnel utilized as part-time recruiters. Multiply this average by the number of days they were involved in recruiting, including business-hours travel time. **Exclude** full-time recruiters counted in Line 1. Enter total on Line 6.

Line 7 *Other related expenses.*
Estimate the total annual costs of resume books, transcript fees, give-aways, etc. **Exclude** items counted in Line 3. Enter total on Line 7.

Line 8 *Recruiting expenses - Sub-total.*
Total Lines 5, 6, and 7 and enter on Line 8.

Line 9 *Candidate travel, lodging, meal expenses.*
Compute or estimate the average expense of **each applicant** who visits your company for employment consideration. (A representative sample of expense reports may be used to compute this average.) Multiply this average by the **total** number of applicant visits, **not just for those hired.** Enter total on Line 9.

Line 10 *Secondary interview workdays.*
Estimate the average day's salary of company personnel utilized in the secondary/on-site interview process. Multiply this number by the average length of an applicant's visit to your company (e.g. $150 × 1.5 days = $225). Multiply this number by the **total** number of applicant visits. Enter total on Line 10.

Line 11 *Other expenses.*
Estimate the costs (annualized or average per applicant) of other related expenses including, but not limited to, testing, credential verification, relocation packets, etc. Enter the appropriate annual expense **total** on Line 11.

Line 12 *Company visit expenses - Sub-total.*
Total Lines 9, 10, and 11 and enter on Line 12.

Line 13 *Advertising fees.*
Under the heading "# Hires", enter the number of exempt hires derived directly as a result of Employment Advertising. Compute or estimate total annual job-specific employment advertising fees. **Exclude** general advertising charges included in Line 3. Enter total on Line 13.

Line 14 *Agency fees.*
Under the heading "# Hires", enter the number of hires derived thru contingency personnel agencies. Compute or estimate total annual agency fees. Enter total on Line 14.

Line 15 *Executive search fees.*
Under the heading "# Hires", enter the number of hires derived thru executive search (retainer/contract search). Compute or estimate total annual search and search-research fees paid. Enter total on Line 15.

Line 16 *Employee Referral Cash Awards.*
Under the heading "# Hires", enter the number of Employee Referrals hired. Compute the total annual cash payments made to employees for referrals who were hired. **Exclude** program administration fees and gifts-in-kind included in Line 3. Enter total on Line 16.

Line 17 *College recruiting.*
Under the heading "# Hires", enter the number of direct recruits from your college recruiting program. Compute or estimate direct costs involved. **Exclude** tax deductible gifts to academic institutions and any items accounted for on a preceding line. Enter on Line 17.

Line 18 *Direct fees - sub-total.*
Total lines 13, 14, 15, 16, 17 and enter on line 18.

Line 19 *Total recruitment costs.*
Total Lines 4, 8, 12, and 18 and enter on Line 19.

Line 20 *Relocation expenses.*
Under the heading "# Hires Relocated", enter the actual number of new hires who received relocation expense assistance to accept employment. Enter the actual or estimated total expense incurred by your company to provide this assistance on Line 20.

Line 21 *Total costs.*
Total lines 19 and 20 and enter on Line 21.

Line 22 *Total exempt hires.*
Enter total number of exempt hires for calendar year on Line 22.

Line 23 *Cost per hire.*
Divide line 21 by line 22. Enter result on line 23 (rounded to nearest whole dollar.)

Supplemental Survey Data (complete if data is available)

Line 24 *Exempt hires with salaries under $25,000/yr.*
Enter number hired with starting salaries in this range. **Estimate** the average cost per hire for this group. Enter on Line 24 under respective headings.

Line 25 *Exempt hires with salaries between $25,000 and $40,000/yr.*
Enter number and **estimated** CPH under respective headings on Line 25.

Line 26 *Exempt hires with salaries between $40,000 and $60,000/yr.*
Enter number and **estimated** CPH under respective headings on Line 26.

Line 27 *Exempt hires with salaries between $60,000 and $100,000/yr.*
Enter number and **estimated** CPH under respective headings on Line 27.

Line 28 *Exempt hires with salaries over $100,000/yr.*
Enter number and **estimated** CPH under respective headings on Line 28.

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Average Employer Expense by Line Item
These averages were computed by dividing the total costs reported by the number of respondents (indicated in parentheses).

A. Employment/Recruiting Office Expenses			
- Salaries and benefits of staff (based upon % of time spent in recruiting-related role)		$241,145 (48)	
- Travel, lodging, entertainment expenses of recruiting staff		31,990 (48)	
- Administrative expenses (telephone, postage, PR brochures and programs, training fees, etc.)		64,403 (48)	
Sub-Total			$385,575 (51)
B. Recruiting Expenses			
- Travel, lodging, entertainment expenses for line recruiters not included in A above		22,735 (15)	
- Salaries of line (part-time) recruiters (based upon average day's salary)		171,976 (17)	
- Other related expenses (transcripts, resume books, etc.)		5,735 (17)	
Sub-Total			$158,951 (25)
C. Company Visit Expenses			
- Candidate travel, lodging, meals		154,676 (39)	
- Secondary interview workdays		80,442 (20)	
- Other expenses (testing, credential verification, etc.)		10,317 (19)	
Sub-Total			$198,956 (47)
D. Direct Fees	# Hires		
- Advertising	69	195,914 (52)	
- Agency	32	216,249 (52)	
- Search	2	32,644 (52)	
- Employee Referral Cash Awards	33	16,460 (52)	
- College Recruiting	33	37,508 (52)	
Sub-Total			$498,777 (52)
Total Recruitment Costs			$1,132,836 (52)
E. Relocation Expenses	# Hires Relocated		
- Relocation assistance paid to new hires	106 (44)		$600,531 (46)
F. Totals			
- Total costs of employment			$1,659,783 (53)
- Total exempt hires			238 (53)
- Average cost per hire			$6,974

G. Supplemental Data Starting Salary Range:	# Hires	Estimated CPH
- Under $25,000/year	56 (31)	$3,020 (22)
- $25,000 to $40,000/year	109 (32)	6,381 (22)
- $40,000 to $60,000/year	18 (29)	11,597 (21)
- $60,000 to $100,000/year	6 (26)	19,703 (19)
- Over $100,000/year	1 (6)	42,138 (3)

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Average Costs by Nature of Business

Expense/ Item	Banking, Finance, Insurance (8)	Aerospace, Electronics, Instruments (18)	Chemicals, Drugs, Allied Products (4)	Utilities, Transportation (7)	National Average (53)
Recruiting/Employment Office	$109,906	$ 538,217	$ 492,150	$157,419	$ 385,575
Recruiting Expenses	$ 848	$ 160,333	$ 44,000	$ 1,124	$ 158,951
Company Visits	$ 13,668	$ 304,503	$ 175,846	$ 47,373	$ 198,956
Direct Fees	$128,917	$ 968,739	$ 460,536	$126,136	$ 498,777
Total Recruitment Costs	$253,338	$2,238,884	$1,172,531	$332,052	$1,132,836
Recruitment and Relocation Total	$303,456	$3,342,294	$1,866,693	$483,358	$1,659,783
Total Hires	92	410	157	90	238
Average CPH	$ 3,316	$ 8,149	$ 11,871	$ 5,396	$ 6,974

Other Businesses

	Merchandising and Services	Building Materials and Manufactrring	Food and Beverage Process	Research and Consulting
Average number hires	310	314	94	186
Average CPH	$3,347	$3,198	$4,204	$6,319

The Bottom Line

Employment managers and vendors of employment services are as conscious of the effects of their work upon the bottom line as their corporate and client counterparts. Despite the lowering inflation rate, competition for top human resource talent remains intense.

Corporate employment professionals will continue to hear their leaders cry, "Give me more (results) for less (budget)." Similarly, the employment services industry will hear the echoing call for "negotiated lower fees." In both cases, the need for cost management is paramount in order to remain successful.

Future Surveys

The EMA membership has responded favorably to the format and content of this survey and report. Members who previously did not track CPH at their companies have introduced this format and begun tracking these costs. The EMA intends to continue to provide this tool and resultant information for the benefit of employers and members nationwide. Suggestions and comments regarding this survey are welcome and may be forwarded to: Employment Management Association, P. O. Box 2598, Raleigh, North Carolina, 27602, Attention: CPH Committee.

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